

BREVARD SCHOOLS FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

**BREVARD SCHOOLS FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>Page Number</u>
Independent Auditor's Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	1
Statement of Activities - 2021	2
Statement of Activities - 2020	3
Statement of Functional Expenses – 2021	4
Statement of Functional Expenses – 2020	5
Statements of Cash Flows	6
Notes to Financial Statements	7-17
 ADDITIONAL ELEMENT REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-22



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brevard Schools Foundation, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Brevard Schools Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brevard Schools Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 28, 2021, on my consideration of Brevard Schools Foundation, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brevard Schools Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brevard Schools Foundation, Inc.'s internal control over financial reporting and compliance.

Lark Janes CPA LLC

Lark Janes CPA LLC
Certified Public Accountant
September 28, 2021

BREVARD SCHOOLS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 897,432	\$ 856,161
Grants receivable	48,495	45,624
Promises to give, net	190,969	178,190
Accounts receivable	127,039	29,319
Inventory	167,385	289,315
Prepaid expenses	49,296	65,642
Investments	2,579,056	2,108,539
Equipment and software, net of accumulated depreciation of \$25,590 in 2021 and \$24,972 in 2020	1,905	2,523
Prepaid tuition scholarships	1,923,065	2,040,375
	<u>1,923,065</u>	<u>2,040,375</u>
TOTAL ASSETS	<u><u>\$ 5,984,642</u></u>	<u><u>\$ 5,615,688</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 39,354	\$ 43,937
Accrued expenses	95,513	84,619
Deferred revenue	20,000	13,200
Loan payable	-	103,700
	<u>154,867</u>	<u>245,456</u>
TOTAL LIABILITIES	<u>154,867</u>	<u>245,456</u>
NET ASSETS		
Without donor restrictions	756,135	472,175
With donor restrictions	5,073,640	4,898,057
	<u>5,829,775</u>	<u>5,370,232</u>
TOTAL NET ASSETS	<u>5,829,775</u>	<u>5,370,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,984,642</u></u>	<u><u>\$ 5,615,688</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

BREVARD SCHOOLS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 549,634	\$ 2,875,953	\$ 3,425,587
Special events	110,528	98,189	208,717
Government grants	2,350	315,827	318,177
Contributions from education license plates	12,109	-	12,109
Endowments	-	-	-
Other income	268,700	-	268,700
Investment return, net	114,080	356,437	470,517
Net assets released from restrictions: Satisfaction of program restrictions	3,470,823	(3,470,823)	-
TOTAL REVENUE AND SUPPORT	4,528,224	175,583	4,703,807
EXPENSES			
Program services			
School support	1,200,027	-	1,200,027
Senior scholarships	56,823	-	56,823
School supply store	1,823,080	-	1,823,080
Take Stock in Children program	648,468	-	648,468
Management and general	387,883	-	387,883
Fundraising	127,983	-	127,983
TOTAL EXPENSES	4,244,264	-	4,244,264
CHANGE IN NET ASSETS	283,960	175,583	459,543
NET ASSETS AT BEGINNING OF YEAR	472,175	4,898,057	5,370,232
NET ASSETS AT END OF YEAR	\$ 756,135	\$ 5,073,640	\$ 5,829,775

The accompanying notes to the financial statements are an integral part of this statement.

BREVARD SCHOOLS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 567,903	\$ 1,886,051	\$ 2,453,954
Special events	10,900	222,572	233,472
Government grants	2,975	327,490	330,465
Contributions from education license plates	12,210	-	12,210
Endowments	-	1,000	1,000
Investment return, net	(64)	(13,979)	(14,043)
Net assets released from restrictions: Satisfaction of program restrictions	2,368,442	(2,368,442)	-
TOTAL REVENUE AND SUPPORT	2,962,366	54,692	3,017,058
EXPENSES			
Program services			
School support	1,409,407	-	1,409,407
Senior scholarships	74,453	-	74,453
School supply store	496,370	-	496,370
Take Stock in Children program	552,450	-	552,450
Management and general	345,892	-	345,892
Fundraising	147,741	-	147,741
TOTAL EXPENSES	3,026,313	-	3,026,313
CHANGE IN NET ASSETS	(63,947)	54,692	(9,255)
NET ASSETS AT BEGINNING OF YEAR	536,122	4,843,365	5,379,487
NET ASSETS AT END OF YEAR	\$ 472,175	\$ 4,898,057	\$ 5,370,232

The accompanying notes to the financial statements are an integral part of this statement.

BREVARD SCHOOLS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

EXPENSES	Program Services				Support Services			Total Expenses	
	School Support	Senior Scholarships	School Supply Store	Take Stock in Children Program	Total Program Services	Management and General	Fundraising		Total Support Services
School support and allocations	\$1,009,096	\$ -	\$ -	\$ -	\$ 1,009,096	\$ -	\$ -	\$ -	\$ 1,009,096
Supplies	99,013	-	1,663,033	3,268	1,765,314	1,969	14,762	16,731	1,782,045
Payroll and related costs	9,252	-	74,236	155,965	239,453	293,121	51,159	344,280	583,733
Scholarships	-	56,823	-	470,848	527,671	-	-	-	527,671
Event expense	25,920	-	14,953	-	40,873	-	25,956	25,956	66,829
Office and other expense	1,455	-	8,235	396	10,086	4,054	36,106	40,160	50,246
Occupancy	-	-	62,623	15,936	78,559	27,811	-	27,811	106,370
Professional and contracted services	53,376	-	-	-	53,376	32,443	-	32,443	85,819
Memberships, dues and fees	1,915	-	-	2,055	3,970	6,231	-	6,231	10,201
Technology and equipment	-	-	-	-	-	22,254	-	22,254	22,254
TOTAL EXPENSES	\$ 1,200,027	\$ 56,823	\$ 1,823,080	\$ 648,468	\$ 3,728,398	\$ 387,883	\$ 127,983	\$ 515,866	\$ 4,244,264

The accompanying notes to the financial statements are an integral part of this statement.

BREVARD SCHOOLS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

EXPENSES	Program Services				Support Services			Total Expenses	
	School Support	Senior Scholarships	School Supply Store	Take Stock in Children Program	Total Program Services	Management and General	Fundraising		Total Support Services
School support and allocations	\$ 912,770	\$ -	\$ -	\$ -	\$ 912,770	\$ -	\$ -	\$ -	\$ 912,770
Supplies	203,293	-	326,360	3,945	533,598	1,096	6,815	7,911	541,509
Payroll and related costs	17,006	-	76,830	154,479	248,315	260,197	73,992	334,189	582,504
Scholarships	-	74,453	-	371,327	445,780	-	-	-	445,780
Event expense	80,459	-	13,116	-	93,575	-	36,599	36,599	130,174
Office and other expense	35,579	-	18,743	5,386	59,708	10,276	28,759	39,035	98,743
Occupancy	-	-	61,321	15,853	77,174	27,666	-	27,666	104,840
Professional and contracted services	155,682	-	-	-	155,682	23,725	-	23,725	179,407
Memberships, dues and fees	4,618	-	-	1,460	6,078	6,628	-	6,628	12,706
Technology and equipment	-	-	-	-	-	16,304	1,576	17,880	17,880
TOTAL EXPENSES	\$ 1,409,407	\$ 74,453	\$ 496,370	\$ 552,450	\$ 2,532,680	\$ 345,892	\$ 147,741	\$ 493,633	\$ 3,026,313

The accompanying notes to the financial statements are an integral part of this statement.

BREVARD SCHOOLS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors	\$ 1,669,554	\$ 2,012,410
Governmental grants received	315,306	337,444
Cash received from investments	20,870	42,246
Other cash received	185,000	-
Payments to schools and school programs	(1,177,893)	(1,425,884)
Payments for salaries and benefits	(565,492)	(556,768)
Payments to vendors	(227,481)	(241,518)
CASH PROVIDED (USED) BY OPERATIONS	<u>219,864</u>	<u>167,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(266,745)	(216,412)
Proceeds from sale of investments	245,875	174,166
Purchase of equipment	-	(3,089)
Purchase of scholarships	(157,723)	(99,012)
Refund from Florida Prepaid Foundation	-	166,908
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(178,593)</u>	<u>22,561</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of note payable	-	103,700
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>103,700</u>
NET CHANGE IN CASH	41,271	294,191
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>856,161</u>	<u>561,970</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 897,432</u>	<u>\$ 856,161</u>
SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
State match for purchase of scholarships	<u>\$ 175,594</u>	<u>\$ 148,895</u>
SCHEDULE OF NONCASH FINANCING ACTIVITIES:		
Forgiveness of PPP loan	<u>\$ 103,700</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brevard Schools Foundation, Inc. (the Foundation) is a not-for-profit corporation organized exclusively for educational and charitable purposes as described in Section 501(c)(3) of the Internal Revenue Code to receive, hold, invest and administer real and personal, tangible and intangible property and to make expenditures to or for the benefit of public kindergarten through twelfth grade education in Brevard County, Florida. The Foundation is a direct support organization for the School Board of Brevard County, Florida. The Foundation's primary revenue sources are fundraising events, contributions and grants.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts and Grants Receivable

The Foundation has accounts receivable, primarily from various funding sources, and receivables for grant funding. Management reviews receivables monthly for collectability based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Foundation considers accounts and grants receivable at June 30, 2021 and 2020 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Promises to Give

The Foundation records promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. An allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Inventory

The Foundation operates a School Supply Store to provide a way to transfer donated school supplies to teachers free of charge for use in their classrooms. The Foundation obtains inventory items by purchase and by accepting donations of school supplies for distribution to teachers and schools. The contributed supplies are valued at fair value. Purchased supplies are recorded at cost. Inventory value is stated at the lower of cost or market, determined on the first-in, first-out method.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

The Foundation capitalizes all expenditures for capital assets with a value in excess of \$2,000 and a useful life greater than one year. Lesser amounts or purchases with a useful life of less than a year are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gain and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for various operating reserves.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services, Materials and Facilities

Donated services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Foundation also receives donated services from a variety of unpaid volunteers who assist in carrying out major fundraisers and outreach efforts. No amounts have been recognized for these services in the accompanying Statement of Activities because they do not meet recognition criteria prescribed by generally accepted accounting principles.

The Foundation receives significant donated services, materials and facilities from numerous individuals and organizations. During fiscal 2021 and 2020, respectively, approximately \$1,678,000 and \$601,000 in contributions revenue was recognized for donated services, materials and facilities; approximately \$48,000 and \$48,000 related to fundraising events, \$37,000 and \$34,000 related to administration, and approximately \$1,593,000 and \$520,000 for various program activities.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the Statement of Activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function; therefore, these expenses are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, telephone and postage, which are allocated on a square footage basis; as well as salaries and related costs, and travel, which are allocated on the basis of estimates of time and effort. Certain other costs are specifically identified as benefiting a specific program or supporting function, such as provision of scholarships.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Tax Status

The Foundation is organized as a nonprofit corporation and has been recognized by the IRS as exempt from federal income tax under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). The organization has been determined not to be a private foundation. Contributions to the Foundation are qualified as deductions for charitable contributions. The Foundation is not subject to unrelated business income tax for the fiscal years ended June 30, 2021 and 2020.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of 2020 financial information have been made to conform to the 2021 presentation. Such reclassifications have no effect on change in net assets for that fiscal year.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 28, 2021, the date the financial statements were available to be issued.

New Accounting Pronouncements

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as amended, in fiscal year ended June 30, 2021. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Foundation's financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2021 and 2020:

	2021	2020
Financial assets at June 30	\$ 3,842,992	\$ 3,217,833
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	(3,102,862)	(2,581,968)
Board designations	(431,502)	(394,205)
Other unavailable	(95,050)	(92,275)
Financial assets available to meet cash needs for general expenditures within one year	\$ 213,578	\$ 149,385

The Foundation raises and receives donations from multiple sources and makes expenditures for the benefit of public K-12 education in Brevard County, Florida. Donations are for multiple school support and educational program purposes and multiple time periods. The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditure within one year.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS (CONTINUED)

As part of the Foundation’s liquidity management, the Board of Directors maintains three reserve accounts according to policy. The target amount set in Operating/Working Capital (Liquidity) Reserve Policy is three months average operating and program expenses. The target amount set in the Emergency Reserve Policy is six months’ average operating costs, including programs. The target amount set in the Take Stock in Children (TSIC) Program Reserve Policy is six months of average TSIC operating costs. These targets were met at both June 30, 2021 and 2020. Board-designated reserve balances total \$431,502 and \$394,205 at June 30, 2021 and 2020, respectively. While not included in the table above, these reserves could be made available for general expenditure by Board action if necessary.

The Board’s Finance Committee closely monitors cash flow and invests excess funds in short-term low- to moderate-risk investments.

NOTE 3 - OFF BALANCE SHEET CREDIT RISK

The Foundation maintains cash in banks in amounts that are from time to time in excess of federally insured limits. At June 30, 2021, the excess subject to this credit risk was approximately \$62,000.

NOTE 4 - PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 2,706	\$ 2,706
Equipment	3,089	3,089
Software	<u>21,700</u>	<u>21,700</u>
Total cost	27,495	27,495
Less: accumulated depreciation	(25,590)	(24,972)
Total	<u>\$ 1,905</u>	<u>\$ 2,523</u>

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 - PROMISES TO GIVE

Promises to give consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
United Way designations	\$ 12,778	\$ 17,955
Pledges, net	<u>178,191</u>	<u>160,235</u>
Total promises to give	<u>\$ 190,969</u>	<u>\$ 178,190</u>

Champions for Children Pledges

The Foundation has established a multi-year giving society, the Champions for Children. Pledges by society members provide undesignated support to allow the Foundation to fill educational funding and opportunity gaps in Brevard public schools. Pledges are scheduled to be collected through 2026. A summary of amounts pledged and collected as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total pledges	\$ 320,825	\$ 294,940
Less: amounts collected	<u>(118,025)</u>	<u>(110,515)</u>
Pledges receivable at June 30	202,800	184,425
Less: allowance for uncollectible pledges	(18,252)	(16,598)
Less: discount	<u>(6,357)</u>	<u>(7,592)</u>
	<u>\$ 178,191</u>	<u>\$ 160,235</u>
Amounts due in:		
Less than one year	\$ 107,750	\$ 92,150
One to five years	95,050	92,275
	<u>\$ 202,800</u>	<u>\$ 184,425</u>

An allowance for uncollectible pledges has been established by management; the amount of the allowance was \$18,252 and \$16,598 at June 30, 2021 and 2020, respectively. Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.77%.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – PREPAID TUITION SCHOLARSHIPS

Other assets consist primarily of prepaid tuition scholarships purchased by the Foundation to benefit Brevard County students. The Foundation held two hundred eighty-five (285) scholarships with a total cost of \$1,923,065 at June 30, 2021 and three hundred two (302) scholarships with a total cost of \$2,040,375 at June 30, 2020.

The Foundation participates in the Project STARS Program, a program funded by the State of Florida and administered by the Florida Prepaid College Foundation. The program provides matching funds for private money used to purchase prepaid scholarships to be awarded to at-risk students. Sixty-four awards were made in fiscal 2021 and forty-eight awards were made in fiscal 2020.

NOTE 7 – NOTE PAYABLE AND GAIN ON FORGIVENESS OF DEBT

The Foundation signed a Paycheck Protection Program (PPP) Promissory Note with a bank in the amount of \$103,700 on April 17, 2020, which was outstanding at June 30, 2020. The PPP is part of the U.S. government's CARES Act, designed to assist small businesses in paying employee wages and other critical expenses. The loan was uncollateralized and fully guaranteed by the federal government. The loan provided for forgiveness if the proceeds were used for payroll and certain other costs over a specified period of time; the loan was fully forgiven in February, 2021. Gain on forgiveness of \$103,700 is recognized in other income in fiscal 2021.

NOTE 8 – CONCENTRATIONS

There are receivables from one state grantor representing 13% of total receivables at June 30, 2021 and 18% of total receivables at June 30, 2020. A receivable from a corporate donor represents 29% of total receivables at June 30, 2021. These represent concentrations of risk for the Foundation. In fiscal 2021, noncash gifts from two not-for-profit donors represented 19% and 11% of total revenues.

Amounts invested in one family of mutual funds represent 66% of total investments at June 30, 2021 and 61% of total investments at June 30, 2020. Amounts invested in another mutual fund represent 11% of total investments at June 30, 2021 and 13% of total investments at June 30, 2020.

NOTE 9 – REVENUE AND DEFERRED REVENUE

The Foundation recognizes revenue from contracts and for a portion of the funds received in relation to special events.

The revenue portion of special events for the years ended June 30, 2021 and 2020 was \$52,541 and \$33,488, respectively.

A fixed price, cost reimbursement contract for a maximum of \$400,000 in revenue began in fiscal 2021 and extends through September 2021. The contract specifies four phases of work, which are separately priced. Revenue under the contract is recognized as costs on the phases of work are incurred. Through June 30, 2021, the Foundation received \$185,000 for work on the first phase of this contract and earned \$165,000, leaving the remainder as a \$20,000 contract liability, shown as deferred revenue at June 30, 2021.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 – REVENUE AND DEFERRED REVENUE (CONTINUED)

Contract receivables, assets, and liabilities were as follows at June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contract assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities	<u>\$20,000</u>	<u>\$ 4,275</u>	<u>\$ -</u>

NOTE 10 – DONOR RESTRICTIONS OF NET ASSETS

Net assets are restricted by donors for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions		
Restricted for:		
School support	\$1,651,875	\$1,520,800
Senior scholarships	789,605	624,057
School supply store	396,209	492,708
Take Stock in Children program	<u>2,235,951</u>	<u>2,260,492</u>
Total net assets with donor restrictions	<u>\$5,073,640</u>	<u>\$4,898,057</u>

NOTE 11 - BOARD DESIGNATIONS OF NET ASSETS

The Board of Directors have directed that three reserves be maintained: 1) Operating/Working Capital Reserve to provide cash flow for a period of three months; 2) Take Stock in Children (TSIC) Program Reserve to assure funds to maintain the TSIC program for six months; and 3) Emergency Reserve to maintain ongoing operations for six months and/or cover unforeseen necessary improvements. Certain funds with donor restrictions exist to support the TSIC Program in excess of the reserve requirement. The other reserves are adequately provided for at June 30, 2021 and 2020, as shown below.

Board designated funds increased by \$37,297; there were no uses of these funds or transfers out of the designations during fiscal year ended June 30, 2021.

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions		
Designated by the Board for:		
Operating/Working Capital reserve	\$ 100,000	\$ 98,000
Emergency reserve	200,000	196,000
Teacher minigrants	<u>131,502</u>	<u>100,205</u>
Total designated net assets	<u>\$ 431,502</u>	<u>\$ 394,205</u>

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 – ALLOCATION OF JOINT COSTS

In fiscal 2021 and 2020, the organization incurred joint costs of approximately \$82,000 and \$97,000, respectively, for activities that included fundraising. Of those costs, approximately \$38,000 and \$26,000, respectively, was allocated to fundraising and approximately \$44,000 and \$71,000, respectively, was allocated to program expense, primarily in the category of school support.

NOTE 13 – ENDOWMENT FUNDS

The Foundation's endowment consists of nine individual funds established for the purpose of funding certain initiatives with donor-restricted funds; eight of the funds are to provide scholarships and one is to benefit the school store. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to generate income to fulfill the charitable purposes of the Foundation that are supported by its endowment funds, while also achieving growth in asset value of the endowment funds at a rate greater than inflation, as measured by the Consumer Price Index. Achieving these objectives requires assuming a moderate level of risk, a long-term horizon and diversification among assets. Funds are invested to maximize total return (capital appreciation, interest and dividend income) consistent with a prudent level of risk. Actual returns in any given year may vary from these income and growth goals. Short-term volatility will be tolerated as long as it is consistent with a comparable market index.

Spending Policy. The Foundation annually determines amounts to be spent from the endowments in accordance with a formal Endowment Spending Policy. The Foundation has adopted a policy of disbursing up to five percent of the available assets in the fund to the program or activity designated by the donor. The policy permits the level of disbursement to exceed the current year's earnings in certain years. No amounts are appropriated from the endowments' original values, which are retained inviolate, according to the donors' wishes.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 – ENDOWMENT FUNDS (CONTINUED)

At June 30, 2021 and 2020, respectively, funds with original gift values of \$501,478 and \$501,478, fair values of \$773,647 and \$615,937, and no deficiencies were reported in net assets with donor restrictions. Endowment net asset composition and changes in endowment net assets as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Donor-restricted endowment funds:		
Balance, beginning of year	\$ 615,937	\$ 636,463
Investment return, net	168,834	(9,519)
Contributions	-	1,000
Appropriated for expenditure	(11,124)	(12,007)
	<u>\$ 773,647</u>	<u>\$ 615,937</u>

NOTE 14 – RETIREMENT PLAN

The Foundation has a SIMPLE IRA plan in which employees are eligible to participate based on meeting certain compensation limits. Participants may generally elect to defer up to \$13,500 of their compensation under the plan, and the Foundation will match the deferral up to 3 percent of the employee's compensation. Matching contributions for the fiscal years ended June 30, 2021 and 2020 were \$12,010 and \$10,326, respectively.

NOTE 15 - RELATED PARTIES

The Foundation is a direct support organization and component unit of the School Board of Brevard County, Florida. The Foundation's Board of Directors take office upon approval of the School Board.

The School Board provides office facilities, including technology support and telephones, and space for the School Supply Store, to the Foundation without charge. The Foundation has recognized the estimated fair value of the facilities and utilities provided, approximately \$106,000 and \$105,000 in fiscal 2021 and 2020, respectively, as contribution revenue and expenses in the accompanying financial statements. The School Board of Brevard County also provided \$50,000 to the Foundation in both fiscal 2021 and 2020 for the provision of services to the district school system. The Foundation earned \$165,000 under a contract with the School Board for curriculum development during fiscal 2021.

Contributed services of approximately \$29,000 and \$32,000 during fiscal 2021 and 2020, respectively, and contributions of approximately \$5,000 in 2021, were provided by a company owned by a member of the Board of Directors.

BREVARD SCHOOLS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 – FAIR VALUE MEASUREMENTS

The Foundation reports its investments at fair value on a recurring basis. Recurring fair value measurements are categorized using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and the lowest priority to unobservable inputs.

The three-tier hierarchy of inputs is summarized in the following categories:

Level 1: quoted prices in active markets for identical investments.

Level 2: other significant observable inputs, including quoted prices for similar investments in active markets, etc.

Level 3: significant unobservable inputs, including management's assumptions in determining the fair value of investments.

Fair value of investments at June 30, 2021 and 2020 was measured as follows:

2021				
	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,974,714	\$ 1,974,714	\$ -	\$ -
Stocks	265,680	265,680	-	-
Corporate bonds	27,146	-	27,146	-
Government bonds	36,970	-	36,970	-
Foreign bonds	4,119	-	4,119	-
Certificate of deposit	57,444	-	57,444	-
Total investments by level	2,366,073	\$ 2,240,394	\$ 125,679	\$ -
Mutual funds measured at net asset value	212,983			
Total investments at fair value	\$ 2,579,056			

2020				
	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,756,943	\$ 1,756,943	\$ -	\$ -
Stocks	210,811	210,811	-	-
Corporate bonds	29,799	-	29,799	-
Government bonds	40,813	-	40,813	-
Foreign bonds	4,195	-	4,195	-
Certificate of deposit	57,235	-	57,235	-
Total investments by level	2,099,796	\$ 1,967,754	\$ 132,042	\$ -
Mutual funds measured at net asset value	8,743			
Total investments at fair value	\$ 2,108,539			

**ADDITIONAL ELEMENT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brevard Schools Foundation, Inc.

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brevard Schools Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated September 28, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Brevard Schools Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brevard Schools Foundation, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies described below as items 2021-01 and 2021-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described below as item 2021-03 to be a significant deficiency.

2021-1. Incorrect Inventory Cutoff

Criteria: Amounts reflected as inventory in financial statement assets are considered to be those in the control of an entity at the ending date of the reporting period.

Condition: Two orders of inventory items were made in late June 2021, and a check was sent to the vendor. The amount of the check was recorded as inventory; however, the goods were not shipped until July 2021 and were not in the control of the Foundation until after June 30, 2021.

Cause: Significant purchases were being made in advance of the back-to-school event to be held in August 2021, which requires a high level of supplies, and the proper period cutoff was not noted in the recording of this purchase.

Effect: Inventory at June 30, 2021 was overstated by approximately \$39,000, requiring a reclassification to prepaid expenses.

Recommendation: While end of period cutoff is important in inventory accounting all throughout the fiscal year, greater attention should be paid to proper cutoff in recording purchases at or near the fiscal year end.

Auditee Response: Corrected. Purchases of inventory will be made earlier in the fiscal year.

2021-2. Agency Transactions Recorded in Revenue and Expense

Criteria: Amounts received by an entity which are designated by the payer for a third party should not be recorded as revenue and expense of the entity.

Condition: Throughout fiscal 2021, several payments from a local nonprofit organization totaling approximately \$43,000 were received by the Foundation, with indications that they were in payment for specific services that had been provided by Brevard Public Schools to children served by the nonprofit organization. These were recorded as Foundation revenue upon receipt, then as Foundation expense when payment was made to Brevard Public Schools.

Cause: This type of transaction is quite unusual in the Foundation, and the nonprofit is also a donor, so the agency transactions were not recognized as different and requiring different accounting treatment.

Effect: Both revenues and expenses for fiscal year ended June 30, 2021 were overstated by approximately \$43,000.

Recommendation: Client personnel should familiarize themselves with the characteristics of agency transactions and, when one is received, credit a liability account to prevent overstating revenues and expenses.

Auditee Response: Corrected. Internal receipt process revised to include these types of transactions to be scrutinized more closely.

2021-3. Revenue Recognition for Contract with Customer Not Properly Evaluated

Criteria: Generally accepted accounting principles requires that revenue recognition for contracts with customers is determined in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.

Condition: The Foundation implemented Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers*, during fiscal year ended June 30, 2021. The Foundation was awarded a contract from Brevard Public Schools in April 2021, which is subject to that standard. Foundation staff evaluated this contract for revenue recognition as if it was a government grant instead of a contract with a customer, causing them to reach a different conclusion about the proper amount of revenue to recognize for fiscal 2021.

Cause: ASC 606 is a new and complex standard, which applies to very few of the Foundation's transactions.

Effect: Revenues for fiscal year ended June 30, 2021 were overstated by \$20,000, and deferred revenue was understated by \$20,000 at June 30, 2021.

Recommendation: While the Foundation has now implemented this new standard, other transactions will continue to arise that will need to be evaluated. Training for Foundation accounting personnel in this revenue recognition area could better equip them to perform the correct evaluation and assure proper revenue recognition.

Auditee Response: Corrected. The Foundation will evaluate contracts with customers more closely. Foundation accounting personnel will review ASC 606 and consult with Foundation treasurer for further guidance on this standard.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brevard Schools Foundation, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Brevard Schools Foundation, Inc.'s Response to Findings

Brevard Schools Foundation, Inc.'s response to the findings identified in my audit is described in the "auditee response" section in the findings above. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lark Janes CPA LLC

Lark Janes CPA LLC
Certified Public Accountant
September 28, 2021